

COLE SCHOTZ P.C.

Court Plaza North
25 Main Street
P.O. Box 800
Hackensack, New Jersey 07602-0800
Michael D. Sirota, Esq.
Ryan T. Jareck, Esq.
(201) 489-3000
(201) 489-1536 Facsimile
*Attorneys for Saint Michael's
Medical Center, Inc., et al.,
Debtors-in-Possession*

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
HONORABLE VINCENT F. PAPALIA
CASE NO. 15-24999 (VFP)

Chapter 11
(Jointly Administered)

In re:

SAINT MICHAEL'S MEDICAL CENTER,
INC., *et al.*,¹

Debtors-in-Possession.

**DECLARATION OF THOMAS BUCK IN
SUPPORT OF DEBTORS' MOTION
FOR ENTRY OF AN ORDER
AUTHORIZING THE DEBTORS TO (A)
SELL SUBSTANTIALLY ALL THEIR
ASSETS FREE AND CLEAR OF LIENS,
CLAIMS, ENCUMBRANCES, AND
INTERESTS, AND (B) ASSUME AND
ASSIGN CERTAIN EXECUTORY
CONTRACTS AND UNEXPIRED
LEASES**

HEARING DATE AND TIME:
November 12, 2015, at 10:00 a.m. (ET)

ORAL ARGUMENT REQUESTED

I, THOMAS BUCK, declare pursuant to 28 U.S.C. § 1746:

1. I am a Partner in the bankruptcy and restructuring group of EisnerAmper LLP
("EisnerAmper") with offices located at 111 Wood Avenue, South Iselin, New Jersey 08830-

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal identification number are: Saint Michael's Medical Center, Inc. (6046); Columbus Acquisition Corp. (6342); Saint James Care, Inc. (6230); and University Heights Property Company, Inc. (0162).

2700. EisnerAmper is the financial advisor to Saint Michael's Medical Center, Inc., *et al.*, the within Chapter 11 debtors and debtors-in-possession (the "**Debtors**").

2. I submit this declaration (the "**Declaration**") in support of the Debtors' supplemental submission and omnibus reply (the "**Reply**") to the various objections (the "**Objections**") to the Debtors' motion for, among other things, entry of an Order authorizing the Debtors to (i) sell substantially all of their assets free and clear of liens, claims, encumbrances, and interests; and (ii) assume and assign related executory contracts and unexpired leases [Docket No. 17] (the "**Sale Motion**").

3. I am over the age of 18, competent to testify, and authorized to submit this Declaration on behalf of the Debtors.

4. I have served as a financial advisor to the Debtors since May 2015. I am a seasoned financial advisor with approximately 15 years of experience in corporate restructurings. As a result of my time with the Debtors, my review of relevant documents and my discussions with members of the Debtors' management team, I am generally familiar with the Debtor's day-to-day operations, business affairs and books and records.

5. Except as otherwise noted, all facts set forth in this Declaration are based on my personal knowledge, my discussions with members of the Debtors' management, my review of relevant documents or my opinion, based on my experience and knowledge of the Debtors' operations and financial condition. In making this Declaration, I also have relied on information and materials that the Debtors' personnel and advisors have gathered, prepared, analyzed and provided to me for my benefit in preparing this Declaration. If I were called to testify as a witness in this matter, I would testify competently to the facts set forth herein.

THE SALE AND AUCTION PROCESS

6. Consistent with the bidding procedures attached as Exhibit 1 to the Order [Docket No. 121] approving such procedures (the “**Bidding Procedures**”), on November 3, 2015, the Debtors received a bid (the “**Prospect Bid**”) from Prospect Saint Michael’s, Inc. (“**Prospect**”), an affiliate of Prospect Medical Holdings, Inc.

7. On November 4, 2015, the Debtors, their advisors, management, and the Board of Directors met to discuss the Prospect Bid. Following the conclusion of such meeting and, after consulting with the Official Committee of Unsecured Creditors (the “**Committee**”), the Debtors determined that the Prospect Bid was a Qualified Bid (as defined in the Bidding Procedures) and would commence the auction with such bid as the Starting Bid (as defined in the Bidding Procedures) subject to the Debtors’ ultimate determination as to who would be deemed the Successful Bidder (as defined in the Bidding Procedures).

8. On November 5, 2015, at approximately 10:30 a.m. (prevailing Eastern Time), the Debtors commenced the auction, which proceeded for approximately 7 hours during which there were 16 competing bids submitted by Prospect and Prime Healthcare Services-Saint Michael’s, LLC (“**Prime**,” and together with Prospect, collectively, the “**Qualified Bidders**”). Subsequent to the sixteenth bid, the bidding concluded and the auction was closed.

9. On November 9, 2015, the Qualified Bidders presented their vision of the Hospital’s future and credentials to the Board of Directors. After such presentations, the Board of Directors deliberated for several hours and determined, with the endorsement of the Committee, that Prime was the Successful Bidder (as defined in the Bidding Procedures) and Prospect was the Back-up Bidder (as defined in the Bidding Procedures).

10. The executed asset purchase agreement with Prime, as the Successful Bidder, dated November 6, 2015 (the “APA”), is attached as Exhibit A to the proposed sale order, which I am advised will be submitted to the Court in advance of the return date of the Sale Motion.

11. Under Section 1.2 of the APA, Prime has committed to pay \$62,247,750 (the “Purchase Price”) subject to two adjustments at the closing of the sale of the Debtors’ assets (the “Closing”), which are:

- i. *Minus* any negative difference between an amount equal to the Debtors’ Net Working Capital (as defined in the APA) at Closing and an amount equal to ten percent (10%) of the Debtors’ “Net Revenue” for the 2014 fiscal year (which for purposes of calculating Net Working Capital, shall always be considered to include a fixed amount of \$13,000,000 for cash and cash equivalents and short term investments), and
- ii. *Plus or minus* the positive or negative difference, as the case may be, between the amount of cash and cash equivalents and short term investments included among the Debtors’ assets and \$13,000,000.

12. Attached as Exhibit 1 is an analysis of the Purchase Price and the anticipated adjustments assuming a December 13, 2015 closing. In addition, the analysis contains a “roll-forward” of the *pro forma* and calculations assuming a January 31, 2016 closing. As of January 31, 2016, the analysis (subject to the notes contained within Exhibit 1) demonstrates projected net proceeds of sale of \$59,458,000 (which proceeds are subject to the Court’s disposition of the pending adversary proceeding against The Bank of New York Mellon and an allocation for the unencumbered employee parking lot).

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: November 10, 2015

By: 
THOMAS BUCK

EXHIBIT 1

Purchase Price Analysis

Saint Michael's Medical Center

-Calculation of Adjusted Cash Purchase Price

(\$000's)

Prime Healthcare December 13th Proforma

Purchase Price	62,248
Change in Cash	3,300
Net Working Capital Surplus (Deficit) Relative to Target	(2,155)
Estimated Adjusted Cash Purchase Price (Dec. 13th)	\$63,392
Bridge to January 31st	
Burn Rate from ICD-10 Risk	(1,663)
Working Capital Change from ICD-10 Risk	1,496
Net Cash Burn from Operations	(3,768)
Working Capital Change from Operations	0
Estimated Adjusted Value (January 31st)	\$59,458
DIP Availability as of Sale (January 31st)	0

Notes:

**Purchase Price excludes proposed sale of Historic Building (\$800k)*

**Assumes that current portion of workers compensation reserve is excluded.*

**Assumes that accrued healthcare and benefits are excluded administrative liabilities comprised of \$1.57 million of balance sheet liabilities plus the self funded health claims tail.*

**Data based on September financials and 2nd DIP Budget (projected through December 13th).*

**Net Cash Burn from Operations is based on current projected run rate. Debtors currently are operating at higher than projected volumes. If this trend continues, it will result in a positive variance to above analysis.*

**Backup bidder (Prospect Medical) contractually obligated until January 16th.*

**Proceeds subject to pending adversary proceeding against BNYM and allocation of proceeds attributable to parking lot.*

DRAFT-SUBJECT TO CHANGE